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## **INTRODUCTION**

The Office of Internal Audit performed an audit of the Greenfield/ Joy District, Wayne County FIA for the period October 1, 2001 through September 6, 2002. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Greenfield/Joy District had 131 full time equated positions (FTE's) at the time of our review. Greenfield/Joy District provided assistance to an average 14,842 recipients per month during FY 2001, with total assistance payments of \$21,394,998 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Greenfield/Joy District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

Safe and Controlled Documents

State Car Usage

State Emergency Relief (SER)

Employment Support Services

Client Processing

CIS/ASSIST

IRS Information Security

Payroll and Timekeeping

Procurement Card

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Greenfield/Joy internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

## **DISTRICT RESPONSE**

The management of the Greenfield/Joy District has reviewed all the findings and recommendations included in this report. They indicated in a memorandum dated October 1, 2002 and a telephone conversation on October 16, 2002 that they disagree with finding #9, and are in general agreement with all other findings of this report.

## **FINDINGS AND RECOMMENDATIONS**

### **Cash Receipts**

#### **FIA-61 Log Reconciliation**

1. The Greenfield/Joy District did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 462. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We also noted that there were two warrants recorded on the FIA-61 that were no longer on hand, and had no disposition recorded. Posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up to date facilitates the reconciliation process.

WE RECOMMEND that the Greenfield/Joy District perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

WE ALSO RECOMMEND that The Greenfield/Joy District determine the disposition of the two open items on the FIA-61, and take the appropriate corrective action.

### **Cash Disbursements**

#### **Approval of Journal Vouchers**

2. The Greenfield/Joy District did not require that journal vouchers be approved. Accounting Manual Item 450 requires that all journal vouchers be approved by the preparer's supervisor or other person designated by the local office director. Approval of journal vouchers helps reduce the risk of unauthorized transactions being processed.

WE RECOMMEND that the Greenfield/Joy District require all journal vouchers to be approved by the preparer's supervisor or other person designated by the director.

#### **Sign-O-Meter Reconciliation**

3. The Greenfield/Joy District did not document the reconciliation of the Sign-O-Meter Record (FIA-4711) with the Check Register, as required by Accounting Manual Item 410.1. Documentation that this reconciliation was performed is necessary to ensure that no checks go through the check signer that are not accounted for in the accounting records.

WE RECOMMEND that the Greenfield/Joy District document the reconciliation of the Sign-O-Meter Record with the Check Register.

### **State Cars Usage**

#### **Maintaining State Cars Usage Log.**

4. The Greenfield/Joy District was not properly maintaining state car usage logs. They did not have logs for May and June, 2002. In addition, the logs for two cars for the month of July 2002 were incomplete because they did not show the daily total of miles driven, the destination, the total miles driven during the month (or the total was incorrect), and they were not signed and dated by the authorized agent.

WE RECOMMEND that The Greenfield/Joy District maintain a complete and accurate log for each State car.

### **State Emergency Relief**

#### **Payment Authorization Files**

5. The Greenfield/Joy District did not maintain its payment authorization file for Authorization/Invoices (FIA-849) and Supplemental Payment Authorizations (FIA-13) in alphabetical or case number order, as required by Accounting Manual Item 404. Rather, the district was filing the FIA-849's and FIA-13's in alphabetical order by month. Filing FIA-849's and FIA-13's in strict alphabetical order on annual basis makes them easier to retrieve, if necessary, and allows for a quicker determination of how many FIA-849 and FIA-13's payments an individual has received.

WE RECOMMEND that the Greenfield/Joy District file FIA-849's and FIA-13's in either alphabetical or case number order on annual basis.

## **Employment Support Services**

### **Two Payments for Car Purchase**

6. The Greenfield/Joy District made two payments of \$1,200 to two different vendors for the purchase of a car for a client. The same worker processed two of the Employment and Training Expenditures Authorization forms (FIA-4663) and the papers were processed for payment by the fiscal office.

WE RECOMMEND that the Greenfield/Joy District recoup the wrongful payment of \$1,200.00 from the client.

### **No Procedure in Place to Track Expenditures**

7. The Greenfield/Joy District did not have a procedure in place to track the expenditures to ensure that no case exceeds its yearly or lifetime cap. A proper tracking procedure would have prevented the duplicate payment reported in finding #6.

WE RECOMMEND the Greenfield/Joy District develop a procedure to track payments to ensure that they do not exceed the yearly or lifetime cap.

## **CIS/ASSIST**

### **MA-010 Reconciliation**

8. The person reconciling the flagged transactions on the Transaction Control Listing (MA-010) to the input documents at the Greenfield/Joy District was a Client Information System (CIS) operator. This reconciliation should be performed by a non-operator to ensure proper separation of duties.

WE RECOMMEND that the Greenfield/Joy District have a non-operator reconcile the flagged transactions on the MA-010 to the input documents.

#### MA-010 Reconciliation – Case Opening and Reopenings

9. The Greenfield/Joy District did not reconcile a sample of the new case openings and reopening listed on the Transaction Control Listing (MA-010) to the workers' supporting documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling a sample of the case openings and reopenings helps to ensure that the clients' cases are accurate and appropriate.

WE RECOMMEND that the Greenfield/Joy District reconcile a sample of the case openings and reopenings on the MA-010 Report to the supporting documentation in the case files.

#### CIS Security Agreements

10. The Greenfield/Joy District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 24 employees who access the Client Information System (CIS), as required by L-Letter 97-063. For 24 of the 139 agreements we reviewed the status code indicated on the FIA-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011).

WE RECOMMEND that the Greenfield/Joy District ensure that accurate, up-to-date CIS Security Agreements are on file for all employees who access CIS.

#### Security Officers Log Report (PD-180)

11. The Greenfield/Joy District did not reconcile the Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the



reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate and properly approved.

WE RECOMMEND that the Greenfield/Joy District have an independent person reconcile the PD-180 report to revised Security Agreements.

#### CIS Status Codes

12. The Greenfield/Joy District had three fiscal clerks with FLM status on the Client Information System (CIS). This status code allows the fiscal clerks to make changes to client cases and then process payments to those same cases.

WE RECOMMEND that the Greenfield/Joy District either change the fiscal clerks to inquiry only status on CIS, or customize their status to allow them only the FLM transactions they need to perform their duties and have an independent person review 100 % of the transactions processed by them.

#### ASSIST Enrollment Profiles

13. The Greenfield/Joy District did not have accurate, up-to-date ASSIST Enrollment Profiles (FIA-3720) on file as required by L-Letter 97-063. For 13 out of the 123 ASSIST Enrollment Profiles we reviewed the status code indicated on the FIA-3720 did not agree with the current status code listed on the Monthly User Listing, ASSIST Report Number VB9-554.

WE RECOMMEND that the Greenfield/Joy District ensure that accurate, up-to-date Enrollment Profiles are on file for all employees who have access to ASSIST.

## **IRS Information Security**

### **Knowledge of IRS Security Procedures**

14. Mailroom staff, Family Independence Specialists (FIS), and Eligibility Specialists (ES) at the Greenfield/Joy District were unaware of the proper procedures to follow for confidential information received from the IRS. Program Administrative Manual (PAM) Item 803 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that the Greenfield/Joy District familiarize staff with all aspects of the confidentiality laws for information received from the IRS.

## **Payroll and Timekeeping**

### **Payroll Record and Retention**

15. The Greenfield/Joy District timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that the Greenfield/Joy District have the certifier or someone other than the timekeeper retain the HR-332A.

### **Reconciliation of HR-332A(B) Turnaround Report**

16. The Greenfield/Joy District did not reconcile the turnaround HR-332A (B) to the original HR-332A report a week after payroll is run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the District reconcile

the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Greenfield/Joy District reconcile the turnaround HR-332A (B) report to the original HR-332A report.